



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

(Incorporated in the Republic of Singapore on 25 March 2011)

**PROPOSED CONVERSION OF SHAREHOLDER'S LOANS INTO NEW ORDINARY SHARES IN
THE CAPITAL OF KITCHEN CULTURE HOLDINGS LTD.**

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 2 April 2020 entered into a conditional debt conversion deed (the "**Debt Conversion Deed**") with Mr Lim Wee Li ("**Mr Lim**"). Mr Lim is the Executive Chairman, Chief Executive Officer and a substantial shareholder of the Company.

2. PROPOSED DEBT CONVERSION

As at the date of this announcement, the total outstanding loans extended by Mr Lim to the Company which are interest-free, unsecured and repayable on demand, amounted to S\$4,630,406.33 (the "**Outstanding Amount**").

Pursuant to the Debt Conversion Deed, Mr Lim has agreed to the repayment of the Outstanding Amount in whole or in part, by way of conversion into new ordinary shares in the capital of the Company (the "**Shares**") (the "**Debt Conversion Shares**") (the "**Proposed Debt Conversion**"), as follows:

- (i) the conversion of the entire Outstanding Amount into 66,148,657 Debt Conversion Shares to be issued to Mr Lim, at an issue price of S\$0.070 per Debt Conversion Share, fractional entitlements to be disregarded, subject to, *inter alia*, a whitewash waiver being granted by the Securities Industry Council ("**SIC**") to Mr Lim and his concert parties from the requirement to make a mandatory offer for the Shares under Rule 14 of the Singapore Code on Take-overs and Mergers if Mr Lim's, and his concert parties', voting rights in the Company will increase to 30% or more based on the enlarged share capital of the Company due to the Proposed Debt Conversion (the "**Whitewash Waiver**"), and subject to any conditions that the SIC may impose which are reasonably acceptable to Mr Lim ("**Scenario 1**"); or
- (ii) In the event that the Whitewash Waiver is not granted by the SIC and/or the non-fulfilment of any condition as may be imposed by the SIC thereon, the conversion of the partial amount of S\$2,660,000 of the Outstanding Amount (the "**Repayment Amount**") into 38,000,000 Debt Conversion Shares at the issue price of S\$0.070 per Debt Conversion Share, fractional entitlements to be disregarded ("**Scenario 2**").

The Debt Conversion Shares are issued in full and final repayment and settlement of the Outstanding Amount or the Repayment Amount (as the case may be) extended by Mr Lim to the Company. Under Scenario 2, an amount of S\$1,970,406.33, which will remain outstanding from the Company to Mr Lim, will remain interest-free, unsecured and repayable on demand.

3. SHAREHOLDING INTEREST FOLLOWING PROPOSED DEBT CONVERSION

The details of the Proposed Debt Conversion and Mr Lim's shareholding interest in the Company before and after the Proposed Debt Conversion are set out below:

3.1 Scenario 1: Proposed Debt Conversion of the Outstanding Amount

Before the Proposed Debt Conversion		Details of the Proposed Debt Conversion			After the Proposed Debt Conversion	
Existing number of Shares held	Shareholding percentage ⁽¹⁾	Number of Debt Conversion Shares to be issued	Number of Debt Conversion Shares as a percentage of the total number of existing issued Shares ⁽¹⁾	Number of Debt Conversion Shares as a percentage of the total number of enlarged issued Shares ⁽²⁾	Total number of Shares held	Total number of Shares held as a percentage of the total number of enlarged issued Shares ⁽²⁾
26,177,000	14.81%	66,148,657	37.42%	27.23%	92,325,657	38.01%

Notes:

- (1) Based on the total number of existing issued Shares of 176,750,000 before the Proposed Debt Conversion.
- (2) Based on the total number of enlarged issued Shares of 242,898,657 after the Proposed Debt Conversion in relation to the Outstanding Amount.

3.2 Scenario 2: Proposed Debt Conversion of the Repayment Amount

Before the Proposed Debt Conversion		Details of the Proposed Debt Conversion			After the Proposed Debt Conversion	
Existing number of Shares held	Shareholding percentage ⁽¹⁾	Number of Debt Conversion Shares to be issued	Number of Debt Conversion Shares as a percentage of the total number of existing issued Shares ⁽¹⁾	Number of Debt Conversion Shares as a percentage of the total number of enlarged issued Shares ⁽²⁾	Total number of Shares held	Total number of Shares held as a percentage of the total number of enlarged issued Shares ⁽²⁾
26,177,000	14.81%	38,000,000	21.50%	17.69%	64,177,000	29.88%

Notes:

- (1) Based on the total number of existing issued Shares of 176,750,000 before the Proposed Debt Conversion.
- (2) Based on the total number of enlarged issued Shares of 214,750,000 after the Proposed Debt Conversion.

4. RATIONALE FOR THE PROPOSED DEBT CONVERSION

Based on the Group's latest announced unaudited consolidated financial statements for the half year ended 31 December 2019, the Group has incurred a net loss attributable to owners of the Company amounting to approximately S\$1.6 million, was in a negative working capital position of S\$5.6 million and a net liability position of S\$6.8 million. The Proposed Debt Conversion will enable the Group to (i) improve its working capital and net tangible assets value, (ii) reduce its indebtedness, gearing and loss per share, (iii) eliminate the need for any cash repayment for the Outstanding Amount or the Repayment Amount (as the case may be) in view of the current financial and cash position of the Group, and (iv) allow the Group to focus its resources on stabilising its business activities and better financial position to enable it to continue as a going concern.

5. TERMS OF THE PROPOSED DEBT CONVERSION

5.1 Issue Price

The issue price for each Debt Conversion Share was arrived at after taking into consideration, *inter alia*, the prevailing market conditions, the recent share prices of the Company, the rationale for the Proposed Debt Conversion as set out in paragraph 4 above, Mr Lim's undertaking to provide financial support for the Group when necessary and the amount of financial support provided by Mr Lim to the Group to date, and was mutually agreed between the Company and Mr Lim.

The issue price of S\$0.070 for each Debt Conversion Share represents a premium of 1.45% to the volume weighted average price of S\$0.069 for trades done on the Shares on Catalist on 2 April 2020 (being the full market day on which the Debt Conversion Deed was signed).

5.2 Debt Conversion Shares

The Debt Conversion Shares will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares, except that they will not rank for any dividend, right, allotment or other distributions the record date for which falls on or before the date of issue of the Debt Conversion Shares.

5.3 Conditions Precedent

Completion of the Proposed Debt Conversion is conditional upon, *inter alia*, the fulfilment of the following conditions precedent:

- (i) the Whitewash Waiver being granted by the SIC to Mr Lim and his concert parties, subject to any conditions that the SIC may impose which are reasonably acceptable to Mr Lim, for the purpose of the Proposed Debt Conversion under Scenario 1;
- (ii) the listing and quotation notice being obtained from the SGX-ST for the listing of and quotation for the Debt Conversion Shares on Catalist and not having been revoked or amended and, where such approval is subject to conditions, to the extent that any conditions for the listing of and quotation for the Debt Conversion Shares on Catalist are required to be fulfilled on or before the completion date for the Proposed Debt Conversion, they are so fulfilled;
- (iii) the Proposed Debt Conversion being approved by the audit committee of the Company and the Board;
- (iv) the approval of the shareholders of the Company (the "**Shareholders**") being obtained in respect of the Proposed Debt Conversion at a general meeting, including but not limited to the allotment and issue of the Debt Conversion Shares and the waiver by the shareholders of their rights to receive a mandatory offer from Mr Lim and his concert

parties (if required) ("**Whitewash Resolution**") for the purpose of the Proposed Debt Conversion under Scenario 1 (if the Whitewash Waiver is obtained), and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Company and Mr Lim; and

- (v) the allotment and issue of the Debt Conversion Shares being in compliance with the Securities and Futures Act, Chapter 289 of Singapore in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore.

If any of the conditions set out in the Debt Conversion Deed is not satisfied or waived by Mr Lim on or before the date falling twelve (12) months from the date of the Debt Conversion Deed or such other date as the parties may agree in writing, either party will have the right to terminate the Debt Conversion Deed and the parties will be released and discharged from their respective obligations under the Debt Conversion Deed.

The Company will, through its Sponsor, SAC Capital Private Limited, make an application to the SGX-ST for the listing of and quotation for the Debt Conversion Shares on Catalist. An announcement will be made in due course to notify the Shareholders when the listing and quotation notice is obtained.

6. SHAREHOLDERS APPROVAL

6.1 Proposed Debt Conversion as an Interested Person Transaction

The allotment and issue of the Debt Conversion Shares, pursuant to the Debt Conversion Deed, requires the approval of Shareholders under Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rule 805(1) of the Catalist Rules, as the Debt Conversion Shares will not be issued pursuant to the general mandate granted by Shareholders during the annual general meeting of the Company held on 29 November 2019 ("**2019 AGM**").

Mr Lim is a substantial shareholder of the Company, holding 14.81% of the total number of issued Shares as at the date of this announcement. The issuance of Debt Conversion Shares will result in the transfer of a controlling interest in the Company to Mr Lim, and hence, specific approval of the Shareholders is required under Rule 803 of the Catalist Rules. In addition, Rule 812(1) and Rule 812(2) of the Catalist Rules provide that an issue of shares must not be placed to an issuer's directors and substantial shareholders unless specific shareholders' approval has been obtained for such placement. As Debt Conversion Shares will be allotted and issued to Mr Lim (being a Director and substantial shareholder of the Company), Shareholders' approval is required to be obtained in connection thereto pursuant to Rule 812(2) of the Catalist Rules.

As Mr Lim is a Director and the Chief Executive Officer of the Company, he is therefore an interested person and the Proposed Debt Conversion is an interested person transaction under Chapter 9 of the Catalist Rules. Pursuant to Rule 906 of the Catalist Rules, an issuer must obtain shareholders' approval for any interested person transaction of a value equal to, or more than 5% of the group's latest audited net tangible assets value. The value-at-risk of the Proposed Debt Conversion will be the conversion of the amounts owing to Mr Lim into Debt Conversion Shares. Accordingly, the value-at-risk for the Proposed Debt Conversion would amount to S\$4,630,406.33 for Scenario 1, while the value-at-risk for Scenario 2 would be S\$2,660,000.

Based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 ("**FY2019**"), the Group was in a net tangible liability position of S\$5.3 million. Accordingly, the Company will use its market capitalisation, for purposes of computing the materiality of the Proposed Debt Conversion as an interested person transaction for purposes of Rules 905 and 906 of the Catalist Rules. The Company's market capitalisation as at 30 June 2019 is S\$12.6 million (based on the closing price of S\$0.106 on 11 March 2019, being the full market day on which the Shares were traded on Catalist on or preceding 30 June 2019, multiplied with the total number of shares outstanding as at 30 June 2019 of

118,477,000 Shares). Accordingly, the value-at-risk under Scenario 1 represents 36.87% of the Company's market capitalization, and the value-at-risk under Scenario 2 represents 21.18% of the Company's market capitalisation.

Accordingly, the Company will be seeking the approval of Shareholders for the Proposed Debt Conversion as an interested person transaction.

Pursuant to Rule 804 and Rule 919 of the Catalist Rules, Mr Lim and his associates shall abstain from exercising their voting rights in respect of all existing issued Shares owned by them, and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the resolutions to approve the Proposed Debt Conversion and the allotment and issue of Debt Conversion Shares to Mr Lim.

6.2 Whitewash Waiver

An application will be submitted to the SIC to seek the Whitewash Waiver of the requirement for Mr Lim and his concert parties to make a mandatory offer for the Shares under Rule 14 of the Singapore Code on Take-overs and Mergers should Mr Lim's, taken together with his concert parties', voting rights in the Company will increase to 30% or more based on the enlarged share capital of the Company as a result of the Proposed Debt Conversion. The Company will also be seeking its Shareholders' approval for the Whitewash Resolution at the extraordinary general meeting ("**EGM**") to be convened if the Whitewash Waiver is granted by the SIC.

In the event the Whitewash Waiver is granted by the SIC, an independent financial adviser ("**IFA**") will also be appointed to advise the Directors who are independent for the purposes of the Whitewash Resolution on whether the terms of the Proposed Debt Conversion are fair and reasonable. The IFA's opinion will be included in the Circular (as defined below).

For the avoidance of doubt, in the event that the Whitewash Waiver is not granted by the SIC, and the Debt Conversion Shares are issued in accordance to Scenario 2, no IFA will be appointed to opine on the Proposed Debt Conversion. Please refer to paragraph 10 for the statement from the Audit Committee of the Company.

7. TOTAL AMOUNT OF INTERESTED PERSON TRANSACTIONS

Save for the Proposed Debt Conversion, there were no other interested person transactions (excluding transactions less than S\$100,000) entered into by the Group with Mr Lim and his associates for the current financial year ending 30 June 2020 up to the date of this announcement. As at the date of this announcement, there were no other interested person transactions entered into by the Group for the current financial year ending 30 June 2020.

8. FINANCIAL EFFECTS OF THE PROPOSED DEBT CONVERSION

The tables illustrating the financial effects of the Proposed Debt Conversion have been prepared based on the Group's latest audited consolidated financial statements for FY2019 and the following principle assumptions:

- (i) the financial effects on the Group's net tangible liabilities ("**NTL**") per Share and the gearing of the Group are computed based on the assumption that the Proposed Debt Conversion had been completed on 30 June 2019; and
- (ii) the financial effect on the Group's the loss per Share ("**LPS**") is computed based on the assumption that the Proposed Debt Conversion had been completed on 1 July 2018; and
- (iii) the expenses incurred for the Proposed Debt Conversion are assumed to be insignificant and have been ignored for the purposes of computing the financial effects.

For the avoidance of doubt, these financial effects do not take into account (i) any other corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 July 2019.

8.1 NTL of the Group

Assuming the Proposed Debt Conversion had been completed on 30 June 2019, the financial effects on the NTL per Share of the Group as at 30 June 2019 are as follows:

	Scenario 1		Scenario 2	
	Before the Proposed Debt Conversion	After the Proposed Debt Conversion	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
NTL attributable to equity holders of the Company (S\$)	(4,926,316)	(295,910)	(4,926,316)	(2,266,316)
Number of shares	118,477,000	184,625,657	118,477,000	156,477,000
Effect of the Proposed Debt Conversion on the NTL per Share (S\$ cents)	(4.16)	(0.16)	(4.16)	(1.45)

8.2 LPS of the Group

Assuming the Proposed Debt Conversion had been completed on 1 July 2018, the financial effects on the LPS of the Group for FY2019 are as follows:

	Scenario 1		Scenario 2	
	Before the Proposed Debt Conversion	After the Proposed Debt Conversion	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
Net loss attributable to equity holders of the Company (S\$)	(3,874,348)	(3,874,348)	(3,874,348)	(3,874,348)
Weighted average number of shares	118,477,000	184,625,657	118,477,000	156,477,000
Effect of the Proposed Debt Conversion on the LPS (S\$ cents)	(3.27)	(2.10)	(3.27)	(2.48)

8.3 Gearing of the Group

Assuming the Proposed Debt Conversion had been completed on 30 June 2019, the financial effects of the Proposed Debt Conversion on the gearing of the Group as at 30 June 2019 are as follows:

	Scenario 1		Scenario 2	
	Before the Proposed Debt Conversion	After the Proposed Debt Conversion	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
Total borrowings (S\$) ⁽¹⁾	6,572,995	4,456,871	6,572,995	4,456,871
Net borrowings (S\$) ⁽²⁾	6,239,318	4,123,194	6,239,318	4,123,194
Total liabilities and equity (S\$)	13,785,898	13,785,898	13,785,898	13,785,898
Gearing ⁽³⁾	0.48	0.32	0.48	0.32
Net gearing ⁽⁴⁾	0.45	0.30	0.45	0.30

Notes:

- (1) Total borrowings is a summation of borrowings from financial and non-financial institutions, finance lease liabilities and loan from a director and a shareholder of a subsidiary (including the Outstanding Amount) as at 30 June 2019.
- (2) Net borrowings is total borrowings less cash and cash equivalents.
- (3) Gearing is computed using total borrowings divided by total liabilities and equity.
- (4) Net gearing is computed using net borrowings divided by total liabilities and equity.

9. PROPOSED NEW SHARE ISSUE MANDATE

The Company had at the 2019 AGM passed a resolution pursuant to Section 161 of the Companies Act and Rule 806 of the Catalyst Rules granting the Directors a general mandate (the “**Old Share Issue Mandate**”) to allot and issue new Shares and convertible securities in the capital of the Company. In light of the changes to the capital structure of the Company brought about by the Proposed Debt Conversion, it is proposed that, subject to Shareholders’ approval, the Old Share Issue Mandate be revoked and a new share issue mandate (the “**Proposed New Share Issue Mandate**”) be granted to the Directors pursuant to Section 161 of the Companies Act and Rule 806 of the Catalyst Rules.

Further details of the Proposed New Share Issue Mandate will be included in the Circular (as defined below).

10. STATEMENT OF THE AUDIT COMMITTEE

Pursuant to Rules 917(4)(a) of the Catalist Rules, a statement (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or (ii) that the audit committee is obtaining an opinion from an IFA before forming its view, which will be announced subsequently, is required to be disclosed in this announcement.

Further, pursuant to Rule 921(4)(b)(i) of the Catalist Rules, the opinion of an IFA is not required for an issue of Shares pursuant to Part IV of Chapter 8 of the Catalist Rules, if the audit committee provides an opinion in the form required in Rule 917(4)(a) of the Catalist Rules.

In the event the Whitewash Waiver is granted by the SIC, an IFA will be appointed to advise the Directors who are independent for the purposes of the Whitewash Resolution on whether the terms of the Proposed Debt Conversion are fair and reasonable. The audit committee will form its views on the Proposed Debt Conversion after taking into account the opinion of the IFA.

However, in the event an IFA is not required to be appointed due to non-receipt of the Whitewash Waiver from the SIC, the audit committee will update Shareholders of its view on the Proposed Debt Conversion by way of an SGXNET announcement, which will also be included in the Circular (as defined below).

11. CONFIRMATION BY DIRECTORS

The Proposed Debt Conversion will not result in any new cash proceeds for the Company. The Directors are of the opinion that after taking into consideration the financial support from Mr Lim, the written commitments from certain lenders not to demand payment for the next 12 months and the operating cash flows of the Group, the working capital available to the Group is sufficient to meet its present requirements.

12. CIRCULAR AND EGM

The Company will be convening an EGM to seek Shareholders' approval for the Proposed Debt Conversion and the allotment and issue of the Debt Conversion Shares, the Whitewash Resolution (where applicable) and the Proposed New Share Issue Mandate. A circular containing, *inter alia*, the notice of the EGM and details of the Proposed Debt Conversion and the Proposed New Share Issue Mandate (the "**Circular**") will be despatched to the Shareholders in due course.

13. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Mr Lim who is interested in the Proposed Debt Conversion, none of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Debt Conversion, other than through their respective shareholdings (if any) in the Company.

14. DOCUMENT FOR INSPECTION

A copy of the Debt Conversion Deed is available for inspection at the registered office of the Company at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 during normal business hours for three (3) months from the date of this announcement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Debt Conversion and the Proposed New Share Issue

Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

16. GENERAL

Shareholders and potential investors should note that the Proposed Debt Conversion is subject to the fulfilment of, *inter alia*, the conditions set out above, including the obtaining of the relevant regulatory approvals, and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial tax or other professional advisers. Further announcements will be made by the Company as and when appropriate.

By order of the Board

Lim Wee Li
Executive Chairman and Chief Executive Officer
2 April 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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